

# **State of Alaska FY2003 Governor's Operating Budget**

## **Department of Natural Resources Agricultural Development Component Budget Summary**

## **Component: Agricultural Development**

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### **Component Mission**

Promote and encourage development of an agriculture industry in the state.

### **Component Services Provided**

The Director of Agriculture through the Agricultural Development components manages the following programs:

1. Agricultural Development provides services aimed at improving agriculture enterprises.
2. North Latitude Plant Materials Center providing basic support for Alaska agriculture and other Natural Resource agencies through testing, production and development of plant materials.
3. Agricultural Revolving Loan Fund is an agricultural bank extending credit to borrowers based on their ability to repay.

The Division of Agriculture, in cooperation with industry representatives and at the direction of the Commissioner of the Department of Natural Resources, and the Board of Agriculture and Conservation administers the Governor's agricultural policy for Alaska. The division seeks to create opportunities by providing consistency and stability in state agricultural programs. The agricultural assets owned by the division are managed to promote economically viable development, maximize return to the state, and encourage privatization.

Agricultural Development supports the Alaska agriculture industry. The Division of Agriculture is a one-stop center for Alaska agriculture. The division provides opportunities for local producers and marketers of food, fiber, and re-vegetation materials and for other industries as well. Ultimately, this translates into expansion of the economy by providing stability and consistency to Alaska farmers. The Alaska consumer is the beneficiary of freshness, quality, and competition.

The Division of Agriculture provides marketing and production expertise to Alaska growers by increasing their ability to market Alaska grown products and maintain viable farms. The division, through its Plant Materials Center, provides testing, production, development, and distribution of materials to resource industries, while meeting environmental requirements and developing a native seed industry. The division sells and leases agricultural and grazing land and conducts field inspection for contract compliance with farm development and farm conservation plans. Effective marketing service programs are maintained, providing quality assurance of production. The entry of potentially harmful plants and products is regulated and controlled through inspection programs.

Title 38 land disposals for FY2003 are projected to include the following: 12 parcels of land in the Southcentral and Glenallen Regions aggregating about 2,500 acres with an estimated new contracts receivable value of \$600.0. Inventories of accessible agricultural lands is diminishing, and significant capital investments will need to be addressed to sustain an expansion of agricultural activity in Alaska.

### **Component Goals and Strategies**

- Initiate Governor's goals for agriculture at the division level.
- Prepare budgets and develop policies to allow for delivery of effective state government services to the agricultural industry in the state.
- Encourage employee efficiency and industry service.
- Increase economic development opportunities for agricultural producers, processors, and marketers to use natural resources for sustainable agricultural production.
- Encourage division staff and industry leaders to identify and promote new markets for farm products, both in state and for export.
- Maintain industry liaison with other state, federal, and municipal government agencies to influence issues related to agricultural development in Alaska.

- Coordinate activities related to maintaining USDA cooperative agreements in produce inspection, plant material, agricultural statistics, Federal Seed Act, shell eggs, and phytosanitary certification for exports.
- Maintain cooperative services with USDA commodity control, insurance, conservation and lending agencies serving Alaska producers.
- Provide leadership and create opportunities for economic development in the wholesaler, retailer and processor sectors. Organize farm industry meetings, and publish directories.
- Monitor approximately 210 land sale contracts for compliance with the sales contract.
- Monitor approximately 290 patented farms to ensure they comply with regulation.
- Work with the Board of Agriculture and Conservation and local Soil and Water Districts to identify and initiate land disposal projects.
- Monitor approximately 30 grazing leases and permits on roughly 180,000 acres for compliance with terms and conditions of the lease and permits.
- Develop new statewide grazing policy and regulations for public lands classified for grazing purposes.
- Review status of unsold land classified as agricultural and participate in state and local land planning projects.
- Respond to written and verbal requests for agricultural land disposal and leasing information.
- Continue management of foreclosed properties to maintain production capabilities and comply with Federal farm program requirements.
- Sell agricultural tracts - 12 parcels with 2,500 acres for an estimated \$600.0.
- Work with contract holders and patent holders to update farm conservation plans.
- Work with Soil and Water Districts (SWCD) and NRCS in preparation of federal and state conservation plans.
- Review and recommend updates in regulations for agricultural sales, branding, and grazing fee structure.
- Increase direct funding of EPA projects to support locally led conservation priorities.
- Increase USDA funding of Environmental Quality Incentives Program (EQIP) and Wildlife Habitat Incentives Program (WHIP) conservation projects.
- Work with USDA, NRCS to expand the range specific GIS system to support Reindeer Herders Association.
- Work with the US Department of Defense and Plant Materials Center on projects to restore native grasses in areas damaged by military operations.
- Provide conservation planning advice to municipalities' planning and development commissions.
- Obtain federal funding to develop an "Alaska specific" agricultural education program for public schools.
- Increase volunteer low cost participation by SWCDs in DEC water sampling programs.
- Conserve soil and water resources in the state; conduct field inspection for contract compliance with farm development and conservation plans.
- The Matanuska Maid Creamery and Mt. McKinley Meats facilities play a major role in the survival of the livestock and dairy industry in Alaska and operate with a business orientation. We continue to protect the interest of Alaska milk and meat producers.
- Comply with state and federal regulations which provide quality control for agricultural production through inspections and grading services; conduct produce inspections for USDA grade and buyer specifications; provide field inspections for seed certification and disease control; issue phytosanitary certificates on export products from the agriculture industry; produce information and training on packaging and quality control. Encourage use of local products by state and federal agencies.

### **Key Component Issues for FY2002 – 2003**

Lack of General Funds to perform services and statutory responsibilities and continued use of Agricultural Revolving Loan Fund source creates a long-term negative impact on the ARLF program.

Structure regulatory services, marketing services, and lending programs, as simply as possible. Increase cooperation with other agencies involved in resource development.

Make agricultural land available in various parcel sizes as dictated by regional and local demand for land sales, leases, and permits as funding allows. Emphasize selling previously sold land, returned to the state through foreclosure. It is important to resell these parcels before they re-grow and the clearing investment is lost.

Sell lands that are suitable for agriculture in sufficient amounts to encourage viable enterprises. The long-term economic value of these lands is protected through the use of contractual farm conservation plans.

Provide inspection and marketing activities that enable Alaska's agricultural products to be sold commercially. Demand for inspection services is growing as contract requirements for inspections increase. New farms statewide have produced opportunities in the produce, meat and dairy areas. Increased production will impact the Fairbanks region and central office inspection staff. Marketing program improvements can be facilitated with commodity commission or marketing order legislation to allow for producer input and control. We will provide small-scale grants for commodity group promotion efforts.

Revenue is generated from produce and egg inspections. Cooperative agreements with the USDA, Federal Seed Act, National Plant Board, Animal and Plant Health Inspection Service (APHIS) have continued to generate revenue. We expect to expand our service to the military, and grocery wholesalers and retailers statewide. Potential new programs are organic product certification, feed and fertilizer registration, as well as increased bee registration and brand program assistance.

The Natural Resource Conservation & Development Board (NRC&DB) represents the State of Alaska and the Department of Natural Resources in grass roots management of natural resource conservation efforts throughout Alaska. These efforts are enhanced by the Soil and Water Conservation Districts (SWCD) located throughout the state, which provide local planning, conservation project implementation, and resource education in schools. Since there are enormous areas in Alaska which are not included in local SWCDs, the NRC&DB serves as the board of supervisors for the Alaska Soil and Water Conservation District. The Alaska District covers all of the land not included in other districts.

The US Department of Agriculture (USDA), Natural Resource Conservation Service (NRCS) provides technical support to SWCDs for development and implementation of conservation efforts.

- This synergy results in substantial federal funding for important ongoing agricultural conservation programs in Alaska (e.g. Conservation Reserve Program (CRP), Wildlife Habitat Incentives Program (WHIP), Environmental Quality Incentives Program (EQIP), etc.
- Through a cooperative effort, SWCDs and NRCS plan and implement emergency erosion protection projects in Alaska. The current Delta-Clearwater Flood Control Project totals nearly \$6 million.
- The SWCD's have become increasingly involved in Environmental Protection Agency (EPA) programs to resolve non-point pollution problems in both agricultural and urban areas. Two districts have received EPA funding (\$100,000) this year for water quality sampling projects.

### **Major Component Accomplishments in 2001**

Cooperative marketing program helped producers make Alaska grown products more visible to the public.

Chinese inspectors visit in consideration of export and sale of potatoes and carrots to China.

No late blight detected in Alaska potatoes for the past three years.

Provided a pest scout in cooperation with the University of Alaska Fairbanks.

Provided greater consumer availability of quality Alaskan grown products for market and export.

Monitored the state's investment in agriculture science and technology to protect and enhance the quality of Alaska's agricultural soils, seeds, plants, livestock, and associated products.

The Agricultural Land and Contract Management program managed all current and active agricultural land sales and grazing lease contracts and managed an aggressive agricultural land portfolio for eventual disposal. Fourteen parcels with a total of 5,080 acres were sold. We realized a return to the state of \$1.38 million.

The farm products inspection program worked to prevent loss of product sales due to poor quality and prevent fraud and misrepresentation of agricultural products sold in Alaska.

The agricultural marketing program promoted and increased use and sales of competitively priced Alaska grown commodities.

Provided consumer protection through produce inspections at retail/wholesale outlets to insure produce for sale meets grade. For sale to military, inspection is mandatory.

Greenhouse and nursery inspection: spot checked and responded to complaints relating to control quality, prevent contamination from pest and disease import, enhanced market for local products. Provided consumer protection by ensuring that insect and disease pests are spotted and controlled.

Provided egg grading/inspection under a cooperating federal agreement and funding. Maintained quality product, and worked to prevent consumer disease and fraud by inspection of eggs at retail/wholesale outlets to ensure eggs met Alaska state and federal regulatory requirements.

Conducted phytosanitary certificate inspections to facilitate foreign log exports, plant material, seedlings, cabbage and carrots.

Seed sampling and testing was done to maintain quality, protect the environment, prevent deception, and promote marketability. If the services were not available, many local and export market opportunities would be lost.

Made apiary inspections. Control pests and disease; prevent adulteration of local product, and enhanced markets. Without this assistance, disease and pest problems could destroy Alaska's growing industry.

Responded to noxious weed/pest control complaints and import requests; protected environment, reduced production costs; enhanced local clean markets with phytosanitary certificates on exports. Noxious weeds not previously found in Alaska have been discovered. These infestations need to be controlled and prevented from reoccurring. Maintained cooperative agreements and inspector licensing requirements with USDA, National Plant Board, Animal and Plant Health Inspection Service (APHIS), Agricultural Marketing Service (AMS); Fresh Fruit and Vegetable (FFV); Poultry Division; and Meat Division.

Provided official USDA meat grading services through a cooperative agreement with USDA, AMS. Mt. McKinley Meat Plant in Palmer and Delta Meat and Sausage in Delta Junction have the potential of doubling current meat grading requirements.

Assisted in the formation of the Alaska Organic Association, and assisting with clarification on the National Organic Approved list.

Maintained an inventory of unsold lands, classified for agriculture, for future sale. Prior to offering land for sale we consult with the Board of Agriculture and Conservation. The Agricultural Land and Contract Management Section reviewed parcels for legal survey and status, provided for appraisal, conducted Title 38.945 notice, formulated terms and conditions of sale, and issued land sale and lease contracts. After sale or lease, this section monitored contract holders for compliance with their contractual agreements including farm conservation plans and development requirements. Payment schedules were monitored. If development or payments fall behind schedule and are not corrected within times set by agreement, Agricultural Land and Contract Management initiates collection and foreclosure actions. This program also monitors patented agriculture lands for compliance with statutory and regulatory requirements

By identifying and influencing demands for Alaska Grown products, the Division of Agriculture worked to keep the market share of Alaska agriculture products. Recent mergers and new businesses entering the market place made effective marketing service programs even more necessary. Worked to ensure quality grading, and to facilitate commercial transactions between producers, processors, wholesalers, and retailers based on sound market information. We have also helped with export to northwest states. Published information to promote the qualities and benefits of Alaska Grown production.

Worked to develop export markets in the Lower 48 and other countries. Although some Alaska Grown products are being successfully exported, there is a need to identify competitive advantages of Alaska products. Activities in this area include cooperating with USDA Foreign Agricultural Service (FAS) and Western U.S. Agriculture Trade Association (WUSATA).

Alaska conditions favor production of potatoes, carrots, peas, cole crops, and other vegetables of unique quality. Current fresh market share held by local producers ranges from 10-50 percent and can be increased. Our clean environment provides advantages to organic production, which will require additional certification assistance with new federal standards being adopted.

### **Statutory and Regulatory Authority**

AS 03, AS 03.10, AS 03.22, AS 38.05, AS 41.10, AS 41.17

## Agricultural Development

### Component Financial Summary

*All dollars in thousands*

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	696.5	818.6	880.8
72000 Travel	49.8	41.5	51.5
73000 Contractual	191.5	345.3	328.2
74000 Supplies	16.1	22.6	22.6
75000 Equipment	27.4	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>981.3</b>	<b>1,228.0</b>	<b>1,283.1</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	145.9	205.4	207.8
1004 General Fund Receipts	0.0	0.0	10.0
1005 General Fund/Program Receipts	0.0	1.5	1.5
1007 Inter-Agency Receipts	50.7	72.9	30.0
1021 Agricultural Loan Fund	551.3	671.2	682.3
1061 Capital Improvement Project Receipts	116.2	102.3	0.0
1153 State Land Disposal Income Fund	117.2	174.7	351.5
<b>Funding Totals</b>	<b>981.3</b>	<b>1,228.0</b>	<b>1,283.1</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b>Unrestricted Revenues</b>						
State Land Disposal Income Fund	51434	684.0	217.2	217.2	0.0	5.5
Unrestricted Fund	68515	0.3	7.0	6.2	7.0	7.0
<b>Unrestricted Total</b>		<b>684.3</b>	<b>224.2</b>	<b>223.4</b>	<b>7.0</b>	<b>12.5</b>
<b>Restricted Revenues</b>						
Federal Receipts	51010	145.9	205.4	410.1	207.8	205.5
Interagency Receipts	51015	50.7	72.9	72.9	30.0	29.2
General Fund Program Receipts	51060	0.0	1.5	1.5	1.5	2.0
Capital Improvement Project Receipts	51200	116.2	102.3	102.3	0.0	0.0
State Land Disposal Income Fund	51434	117.2	174.7	174.7	351.5	358.3
<b>Restricted Total</b>		<b>430.0</b>	<b>556.8</b>	<b>761.5</b>	<b>590.8</b>	<b>595.0</b>
<b>Total Estimated Revenues</b>		<b>1,114.3</b>	<b>781.0</b>	<b>984.9</b>	<b>597.8</b>	<b>607.5</b>

## Agricultural Development

### Proposed Changes in Levels of Service for FY2003

With the creation of the Land Disposal Income Fund, agricultural land sales of title 38 properties are generating sufficient funding for our agricultural land and contract employees, who have previously been funded from the ARLF corpus. In FY03, one part-time position is changed to full-time status to concentrate on the ag land sales responsibilities.

The Executive Director of the Alaska Natural Resources Conservation and Development Board concentrates efforts on future agricultural land disposal, increased communication with the Soil and Water districts, collaboration and coordination with the Natural Resource Conservation Service, and soil and water quality issues. There is an increment of \$10.0 to the program this year due to increased board costs. Recent increases in direct federal funding have made the program more active, and the need to access project areas has increased, resulting in the increased travel request for the Board.

### Summary of Component Budget Changes

#### From FY2002 Authorized to FY2003 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>1.5</b>	<b>205.4</b>	<b>1,021.1</b>	<b>1,228.0</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	0.0	2.4	17.3	19.7
<b>Proposed budget increases:</b>				
-Soil & Water Districts Funding for Increased Board Operating Costs	10.0	0.0	0.0	10.0
-Staff Position Status Change for Ag Land Disposal Program	0.0	0.0	25.4	25.4
<b>FY2003 Governor</b>	<b>11.5</b>	<b>207.8</b>	<b>1,063.8</b>	<b>1,283.1</b>



## Agricultural Development

### Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	12	13	Annual Salaries	647,794
Part-time	1	0	COLA	17,834
Nonpermanent	0	0	Premium Pay	1,253
			Annual Benefits	231,117
			<i>Less 1.92% Vacancy Factor</i>	(17,198)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>13</b>	<b>13</b>	<b>Total Personal Services</b>	<b>880,800</b>

### Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	0	0	0	1	1
Administrative Manager II	0	0	0	1	1
Agricultural Inspect I	0	1	0	2	3
Dev Spec II, Option B	0	0	0	1	1
Division Director	0	0	0	1	1
Natural Resource Mgr II	0	1	0	0	1
Natural Resource Off II	0	1	0	2	3
Secretary	0	0	0	1	1
Spec Asst To The Comm I	1	0	0	0	1
<b>Totals</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>9</b>	<b>13</b>